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SUBJECT: VISIT OF HOWARD DEAN AND NATIONAL JEWISH
DEMOCRATIC COUNCIL TO JORDAN

REF: A. AMMAN 7498

[B](#). AMMAN 7283

[C](#). AMMAN 7273

[D](#). AMMAN 7112

[E](#). AMMAN 5456

Classified By: CDA Daniel Rubinstein for Reasons 1.4 (b), (d)

SUMMARY

[1](#)1. (C) A delegation from the U.S. National Jewish Democratic Council (NJDC), led by Democratic National Committee Chairman Howard Dean and accompanied by three state Democratic party leaders, met separately September 17 with Prince Ali bin al Hussein (acting as Regent in the absence of King Abdullah, his half-brother) and Deputy Prime Minister Marwan Muasher. Discussions focused on the Israeli-Palestinian conflict, Iraq, Jordan's economic situation, and reform. End Summary.

ROYAL COURT MEETING

[1](#)2. (C) During the group's meeting at the Royal Court (also attended by Minister of Tourism Alia Bouran), Prince Ali expressed satisfaction with the recent Israeli withdrawal from Gaza, but said that continued U.S. engagement with both Israel and the Palestinian Authority was "crucial." He said there was an urgent need to clarify the "next step" after the pullout, as well as to support the missions of General Ward and Quartet Special Envoy James Wolfensohn to ensure stability and security in the Gaza Strip. Asked what was needed to move the peace process forward, Ali replied "courageous leadership" from both parties that reflected the will of the majority of Israelis and Palestinians. Ali urged American Jews to lobby Israel to reject the agendas of "fringe or extreme groups," while noting that Arab support for the Palestinians had moved into a new phase with the demise of the "old" (i.e., Arafat-led) Palestinian Authority.

[1](#)3. (C) On Iraq, Ali reiterated Jordan's continuing strong support for the Iraqi Transitional Government, as evidenced most recently by Prime Minister Badran's trip to Baghdad (ref C) - the first by an Arab head of government. He warned of "interference" by Iraq's "neighboring states" (i.e., Iran), which could compromise the country's independence, and said the insurgency could not be defeated through force alone, but required dialogue with Sunni groups, though not with Zargawi and "terrorists". He further claimed that some sectarian and ethnic militia groups joining the Iraqi security forces "were just putting on the uniform" without laying aside their partisan objectives. A premature pullout of Iraq by U.S. forces, Ali stated, would be a major mistake.

[1](#)4. (C) Noting the threat posed by religious extremism, Ali stressed Jordan's efforts to promote the moderate, peaceful nature of "true Islam." He highlighted the international conference of Islamic scholars held in Amman on July 4-6 that embraced the "Amman Message" and rejected the issuance of fatwas promoting violence (ref E). According to Ali, Jordan is currently busy publicizing this message in Asia, and hopes to take it to Islamic leaders in the U.S. soon. He added that Jordan was trying to organize a conference that would bring together leaders of different Iraqi factions to jointly denounce the killing of Muslims by other Muslims.

[1](#)5. (C) Regarding reform and Jordan's economic situation, Minister Bouran described the government's current endeavor to create a National Agenda for comprehensive reform (ref A) using a "holistic approach" that incorporates specific benchmarks and milestones. She thanked the U.S. for the positive economic impact of the U.S.-Jordan Free Trade Agreement and the establishment of the Qualifying Industrial Zones (QIZs). Ali remarked that record-high world oil prices had been very damaging to Jordan's fiscal health, and necessitated a further lifting of government subsidies on fuel prices in the coming days (ref B). Ali also made a pitch for a proposed pipeline from the Red Sea to the Dead Sea which, he stated, would provide electricity and desalinated sea water to Jordan, Israel and the Palestinian territories while saving the Dead Sea from extinction (ref D).

16. (C) Asked by Dean to describe Jordan's economic challenges, Deputy PM Muasher noted that Jordan had good macroeconomic indicators with GDP growth of over 7% in 2004 and 2005. Exports to the U.S. had surpassed USD 1 billion, and economic reform measures were succeeding in attracting foreign investment. (NOTE: Both Muasher and Prince Ali skillfully and forcefully described the real benefits to Jordan of the U.S.-Jordan FTA and of Jordan's increasing commitment to IPR in response to leading statement-questions from Dean and delegation contesting the value of free trade and IPR protection to Jordan and other developing countries. END NOTE.) He continued, however, that the government was now "bankrupt" due to high oil prices. Approximately 25% of the GOJ's budget, Muasher stated, was spent on fuel subsidies. This financial drain, combined with an inefficient tax system and the high cost of debt servicing, had sent the budget deficit soaring. Consequently, the GOJ had no choice but to further lift fuel subsidies (ref B) which, Muasher predicted, would make the government "even more unpopular" and could generate inflationary pressures.

17. (C) Other challenges cited by Muasher included a bloated public sector employing 35% of the Jordanian workforce, high pension costs, and a young population - half of all Jordanians are under 15 years of age - that in the coming years could push unemployment well above 20%. To tackle these issues, Muasher said the royal commission creating the National Agenda (ref A) had reached consensus on recommendations to reform the tax and pension systems, provide easier credit terms to small and medium size private businesses, and channel more investment to "labor intensive" growth areas. These recommendations, if implemented, could sustain GDP growth above 7% over the next ten years and double the per capita income in the same time frame.

18. (C) Muasher stated that the GOJ was trying to increase the use of natural gas (in lieu of oil) supplied by a pipeline from Egypt. Plans to convert all electrical power generation to natural gas in the immediate future could reduce the GOJ's oil bill by 30%. Although Jordan has abundant oil shale, Muasher said this resource was only a long-term option as oil extraction from shale is not commercially feasible at present and poses environmental problems. Asked about textiles, he responded that expansion of QIZs was a "short term" economic remedy. Though the QIZs had created 40,000 jobs, this was "not sustainable." Muasher continued that Jordan needed to focus on promoting other industries such as pharmaceuticals, potash, phosphates, and information technology (IT). Tourism was another bright spot, as evidenced by a construction boom of new vacation apartments and resorts in Aqaba, though he added that tourism growth was limited by continuing conflict in the region.

19. (C) Despite an official unemployment rate of 12.5%, Muasher said there was a shortage of skilled labor in Jordan and a glut of graduates in "unneeded" fields from Jordan's 31 public and private universities. While some of these graduates in the past had found employment in the Persian Gulf, the inhabitants of Gulf states were becoming increasingly better educated and less in need of the services of Jordanians. (Muasher estimated that there are currently 300,000 Jordanians in the Gulf sending remittances of around USD 2 billion.) Jordan is working to reform the education system - including the introduction of computers and the internet in every public school - to help better prepare students for the job market, while it also pursues judicial reform that will computerize the court system, train judges on relatively new issues such as intellectual property rights (IPR), and introduce laws to increased the judiciary's independence. Since Jordan changed its IPR laws to join the World Trade Organization, it has developed a promising software export industry which, Muasher noted, had succeeded in selling e-learning programs to the U.S. Though piracy still exists, he claimed that IPR awareness was expanding among the general public with more people buying non-pirated products.

110. (C) Turning to regional violence and terrorism, Muasher pointed out that Jordan "has been fighting al-Qaeda since 1991." He emphasized that Jordan maintains close security and intelligence cooperation with the U.S., as well as with states such as Saudi Arabia and Iraq. Jordan was also trying to combat extremist ideology by its promotion of the Amman Message. Muasher said that King Abdullah was making interfaith dialogue and the denunciation of violence in the name of Islam a central theme both in Jordan and abroad. In response to a question about Lebanon, Muasher expressed hope that Amman and Beirut, which shared free market principles and other interests, could enjoy fuller cooperation and economic ties now that Syrian control of Lebanon had been broken.

11. (C) On the Israeli-Palestinian conflict, Muasher said that the basic parameters of a final settlement were well known: an independent and viable Palestinian state on "most" of the West Bank and Gaza; Palestinian sovereignty over "Arab East Jerusalem" in a way that would "keep it open to all faiths;" the offer of residence in the future Palestinian state, resettlement, or some type of compensation to refugees - Muasher claimed that not even 5% of the roughly 5 million Palestinian refugees would choose to return to present-day Israel; and the guarantee of Israel's security by every Arab country. The problem, according to Muasher, is that trust between the parties was at "an all time low," and the roadmap was stuck in "phase one or pre-phase one." While Israel's pullout from Gaza was a "great first step," many are afraid that it will become "a final step" with Israel expanding its control over the West Bank.

12. (C) Muasher recognized that it would be very difficult for Israeli PM Sharon to move forward on the peace process due to domestic politics, but stated the international community must not allow the peace process to "fall backwards" through the continuation of Israeli settlement activity. Muasher warned that proposed settlement construction linking Jerusalem to E-1 would effectively cut the West Bank into two parts and prevent the creation of a viable Palestinian state. Abu Mazen was making the necessary tough choices, he added, and needed full Israeli and international support if Hamas was not to gain more power and popularity among Palestinians. Muasher was gratified that the two parties, along with Jordan, had agreed to cooperate on saving the Dead Sea, which he said would disappear by 2050 if present trends continue. The World Bank had approved a 2-year feasibility study to assess the construction of the proposed pipeline between the Red Sea and Dead Sea (ref D), but so far only the French had committed to paying "their share" of the project's costs.

13. (U) BIO NOTE: The day prior to the meeting with Dean and delegation, Prince Ali's wife (Princess Rym) gave birth to the couple's first child, Princess Jalila.
RUBINSTEIN